



## **HERITAGE LODGE SCHEME**

ARSN 089 099 249

FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2019

**HERITAGE LODGE SCHEME  
ARSN: 089 099 249**

**RESPONSIBLE ENTITY REPORT  
FOR THE YEAR ENDED 30 JUNE 2019**

The Directors of the Responsible Entity, Vasco Investment Managers Limited present their report on Heritage Lodge Scheme ('the Fund') for the year ended 30 June 2019. In order to comply with the provisions of the *Corporations Act 2001* the Directors report as follows:

**1. Directors**

The names of Directors of the Responsible Entity in office at any time during the financial year were:

Craig Mathew Dunstan	(appointed 6 August 2009)
Fiona Jean Dunstan	(appointed 6 August 2009)
Stephen George Hawkins	(appointed 10 May 2010, retired 2 July 2019)
Jonathan William Martin	(appointed 6 August 2009)
Reginald Bancroft	(appointed 2 July 2019)

The Directors have been in office since the establishment of the Fund to the date of this report unless otherwise stated.

**2. Principal Activities**

The Fund's principal activity is that of a managed investment scheme which operates 96 rooms and 6 suites at the Heritage Lodge Scheme Hotel located in the Yarra Valley Victoria. Each room represents 945 units in the Fund. Each suite represents 1546 units in the Fund.

**3. Operating Results**

The operating profit of the Fund for the financial year ending 30 June 2019 was \$258,168 (2018: \$415,840).

**4. Review of Operations**

The result for the year to June was \$464,724 below budgeted revenue and \$176,417 behind last year's revenue. The Hotel operating profit was \$390,908 behind the budgeted operating profit and \$166,052 behind last year's operating profit. There were significant increases in energy and information and telecommunications costs however the Sustainability Project undertaken in the second half of FY2019 is expected to result in cost savings during FY2020.

A number of key management roles at the Hotel have undergone change during the year resulting in a more stable and accountable team.

There have been three room sales for the financial year ending 30 June 2019 (2018: three room sales).

During the period since inception the Scheme had in total 96 rooms and 6 suites. These are owned by a total of 94 unitholders.

**5. Distributions Paid or Recommended**

In accordance with the Room Management Agreement of the Fund distributions are declared and paid on a quarterly basis from the net taxable income.

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The following distributions have been paid or payable for the period to 30 June 2019:

<b>Period</b>	<b>Distribution Paid / Payable</b>	<b>Room</b>	<b>Suite</b>
30 September 2018	-	-	-
31 December 2018	\$129,987.47	\$1,228.43	\$2,009.69
31 March 2019	\$132,206.32	\$1,249.40	\$2,043.99
30 June 2019	\$67,657.67	\$639.39	\$1,046.03

The total distributions declared for the financial year were \$329,851 (2018: \$494,374).

**6. Redemption Arrangements**

As detailed in the Fund's Constitution the Responsible Entity is not under any obligation to buy back, purchase or redeem units from unitholders. Consequently, no units were redeemed by the Responsible Entity during the reporting period. As the rooms and suites are not owned by the Fund, units can only be transferred to another Investor.

**7. Options**

No options over issued units or interests in the Fund were granted during or since the end of the financial year and there were no options outstanding at the date of this report. The Directors and executives of the Responsible Entity hold no options over interests in the Fund.

**8. Proceedings on Behalf of the Fund**

No person has applied to the court for leave to bring proceedings on behalf of the Fund, or to intervene in any proceedings to which the Fund is a party, for the purpose of taking responsibility on behalf of the Fund for all or any part of their proceedings.

**9. Value of Fund Assets**

The Gross Asset Value of the Fund's assets at the end of the reporting period was \$1,751,115 (2018: \$1,580,169). The Net Asset Value at the end of the reporting period was \$151,721 (2018: \$223,405).

**10. Significant Changes in State of Affairs**

Apart from those matters referred to in the previous sections of this Report, there have been no other significant changes to the state of affairs of the Fund during the financial year.

**11. After Balance Date Events**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years other than as disclosed in this report.

**12. Future Developments**

There are no future developments to report on which are not otherwise disclosed in this report.

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**13. Indemnifying Officers or Auditor**

During or since the end of the financial year, the Responsible Entity has paid insurance premiums to insure each of the aforementioned Directors as well as officers of the Responsible Entity against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of the Responsible Entity, other than conduct involving a willful breach of duty in relation to the Responsible Entity.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Responsible Entity has not otherwise, during or since the end of the financial year indemnified or agreed to indemnify an officer or auditor of the Responsible Entity or of any related body corporate against a liability incurred as such an officer or auditor.

**14. Fees, Commissions or Other Charges by the Responsible Entity, Investment Manager or Related Parties**

Fees of \$81,870 (plus GST) were accrued and paid by the Fund to the Responsible Entity for the period. In addition expenses of \$44,795 (plus GST) were accrued and paid by the Fund to the Responsible Entity.

**15. Units held by the Responsible Entity or Related Parties**

As at 30 June 2019 no units were held by the Responsible Entity

**16. Number of Interests on Issue**

As at 30 June 2019, the number of units on issue in the Fund was 99,996, represented by 90,720 units issued to room owners and 9,276 units issued to suite owners.

**17. Environmental Issues**

The operations of the Fund are not subject to any particular or significant environmental regulations under a law of the Commonwealth or of a State or Territory in Australia.

**18. Lead auditor's declaration under Section 307C of the Corporations Act 2001**

The lead auditor's independence declaration is set out on the following page and forms part of the Responsible Entity's report for the year ended 30 June 2019.

Signed in accordance with a resolution of the Board of Directors of Vasco Investment Managers Limited by:



**Craig Mathew Dunstan**

Director

Date: 24 September 2019

**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of the Responsible Entity of Heritage Lodge**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019 there has been:

- (i) No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.



**ShineWing Australia**  
Chartered Accountants



Rami Eltchelebi  
Partner

Melbourne, 24 September 2019

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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2019 \$	2018 \$
<b>Revenue and other income</b>			
Room Revenue	2 (a)	3,244,941	3,397,285
Other income	2 (b)	29,847	53,920
<b>Total revenue and other income</b>		<b>3,274,788</b>	<b>3,451,205</b>
<b>Expenses</b>			
Hotel overheads		1,313,741	1,269,760
Direct room costs		1,256,394	1,250,358
Hotel management fees		132,432	162,501
Responsible entity fees	3	81,870	86,530
Other Fund expenses	4	143,108	149,801
Owners' FF&E contribution	5	62,210	88,342
Audit fees	6	23,365	24,073
Tax advice	6	3,500	4,000
<b>Total expenses</b>		<b>3,016,620</b>	<b>3,035,365</b>
<b>Net profit attributed to unitholders</b>		<b>258,168</b>	<b>415,840</b>
<b>Finance costs attributable to unitholders</b>			
Distributions paid		259,717	462,278
Distributions payable		70,135	32,096
<b>Total comprehensive income for the year attributable to unitholders</b>		<b>(71,684)</b>	<b>(78,534)</b>

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**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**

	Notes	2019 \$	2018 \$
<b>Current assets</b>			
Cash and cash equivalents	7	1,538,228	1,333,166
Other assets	8	26,541	23,598
<b>Total current assets</b>		<b>1,564,769</b>	<b>1,356,764</b>
<b>Non-current assets</b>			
Furniture, fixtures and equipment	9	473,193	437,159
Less: accumulated depreciation	9	(286,847)	(213,754)
<b>Total non-current assets</b>		<b>186,346</b>	<b>223,405</b>
<b>Total assets</b>		<b>1,751,115</b>	<b>1,580,169</b>
<b>Liabilities</b>			
Trade and other payables	10	1,194,470	1,022,846
Pooled hotel funding	11	404,924	333,918
<b>Total liabilities</b>		<b>1,599,394</b>	<b>1,356,764</b>
<b>Net assets</b>		<b>151,721</b>	<b>223,405</b>
<b>Net assets attributable to investors</b>			
Retained earnings	12	151,721	223,405
<b>Total equity</b>		<b>151,721</b>	<b>223,405</b>

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**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Room receipts and other income		3,333,041	3,477,263
Payments to suppliers		(2,907,173)	(2,839,687)
Interest received		-	-
Net cash flow from operating activities		<u>425,868</u>	<u>637,576</u>
<b>Cash flows from financing activities</b>			
Distribution to members		(291,812)	(498,189)
Pooled hotel funding		71,006	(318,314)
Net cash flow from financing activities		<u>(220,806)</u>	<u>(816,503)</u>
Net (decrease) /increase in cash held		205,062	(178,927)
Cash and cash equivalents at beginning of financial year		<u>1,333,166</u>	<u>1,512,093</u>
<b>Cash and cash equivalents at end of financial year</b>		<u><b>1,538,228</b></u>	<u><b>1,333,166</b></u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The financial report is for the Heritage Lodge Scheme ('the Fund'). The Fund is a registered managed investment scheme established and domiciled in Australia. The Responsible Entity of the Fund is Vasco Investment Managers Limited.

**Basis of Preparation**

**(a) Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The financial report of the Fund complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board

Heritage Lodge Scheme is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were approved by the Board of Directors of the Responsible Entity on 24 September 2019.

**(b) Basis of measurement**

The financial report is prepared on the historical cost basis except for the following material items in the statement of financial position:

**(c) Functional and presentation currency**

These financial statements are presented in Australian dollars, which is the Fund's functional currency.

**(d) Use of estimates and judgements**

The preparation of financial statements requires the Directors of the Responsible Entity to undertake a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

**(e) Critical Accounting Judgements**

The Directors of the responsible entity evaluate judgements incorporated into the financial statements based on historical knowledge and best available current information.

**Key judgements**

*Payroll provision*

The Fund recognises a payroll provision in relation to its share of employee benefit costs of the Hotel in accordance with the Constitution.

Judgement is utilised in estimating the amount of leave to be utilised and the future employment length of hotel staff.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Significant accounting policies**

**(a) Financial instruments**

Financial assets and financial liabilities are recognised on the Fund's Statement of Financial Position when the Fund becomes a party to the contractual provisions of the instrument.

**(i) Measurement**

Financial assets are recognised when the Relevant Entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Relevant Entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial assets are initially measured at fair value plus transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately.

Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised Cost*

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

*Fair Value through Other Comprehensive Income*

A financial asset is subsequently measured at fair value through other comprehensive income if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

*Fair Value through Profit or Loss*

By default, all other financial assets that do not meet the conditions of amortised cost and the fair value through other comprehensive income's measurement condition are subsequently measured at fair value through profit or loss.

*Financial Liabilities*

Financial liabilities are recognised when the Relevant Entity becomes a party to the contractual provisions to the instrument.

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Significant accounting policies (continued)**

**(a) Financial instruments (continued)**

**(ii) Categorisation**

The Fund's financial instruments are categorised as follows:

*Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, when applicable, are shown within short-term borrowings in current liabilities in the statement of financial position.

*Impairment*

Financial assets that are stated at cost or amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

*De-recognition*

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for de-recognition in accordance with AASB 9. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

*Financial liabilities and equity*

Financial liabilities and equity instruments issued by the Fund are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted for specific financial liabilities and equity instruments are set out below:

**Interest income**

Interest income and expense is recognised in the statement of comprehensive income as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other difference between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Interest income is recognised on a gross basis, including withholding tax, if any.

**Expenses**

All expenses, including management fees, are recognised in the statement of comprehensive income on an accrual basis.

**Finance Cost**

Distributions paid and payable on investor funds are recognised in the statement of comprehensive income as finance costs and as a liability where not paid. Distributions paid are included in cash flows from operating activities in the statement of cash flows.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Significant accounting policies (continued)**

**Distribution and taxation**

The Fund's Constitution requires that the Fund distribute, at a minimum, the "net income" (as defined in the *Income Tax Assessment Act 1936*) derived during the financial year.

The Fund is not subject to income tax as the taxable income is distributed in full to the investors. The Fund fully distributes its distributable income, calculated in accordance with the Fund constitution and applicable taxation legislation, to the unit-holders who are presently entitled to the income under the constitution.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

**(b) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST, and accruals are shown exclusive of GST.

**(c) Income tax**

Under current legislation, the Fund is not liable for income tax provided its taxable income is fully distributed to unitholders.

**(d) Critical judgements and significant accounting estimates**

The preparation of financial statements requires the Directors of the Responsible Entity to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

**(e) Comparatives**

As the Heritage Lodge Scheme commenced operations in 2000 there are comparative numbers for the year ending 30 June 2018.

**(f) Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the Fund that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Significant accounting policies (continued)**

**(g) Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Revenue is deferred when fees are received upfront but where associated services are yet to be performed. Any consideration deferred for more than one year is treated as a financing arrangement and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest method, which, for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of Goods and Services Tax (GST).

**(h) Trade Receivables**

Trade receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(d) for further discussion on the determination of impairment losses.

**(i) Foreign Exchange**

Items included in the financial records are measured using the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in Australian dollars, which is the presentation currency of the Fund.

**(j) Provisions**

Provisions are recognised when the Fund has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(k) New accounting standards and interpretations**

A number of new accounting standards and interpretation have been published, and are mandatory for the 30 June 2019 reporting period, having come into effect on the 1 January 2018:

*(i) AASB 9 Financial Instruments*

The Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments.

There is no material impact on adoption of AASB 9.

*(ii) AASB 15: Revenue from contracts with customers*

This Standard replaces the previous accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

There is no material impact upon adoption of AASB 15.

There are no pending standards that are relevant to the Fund in the current or future reporting periods as at the issue date of this report as the Fund has no leases.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 2: REVENUE**

The Fund's revenue may be analysed under the following categories

**(a) Room revenue**

	<b>2019</b>	<b>2018</b>
	\$	\$
Room revenue	3,244,941	3,397,285
	<u><b>3,244,941</b></u>	<u><b>3,397,285</b></u>

**(b) Other income**

	<b>2019</b>	<b>2018</b>
	\$	\$
Credit Card Surcharge	29,847	53,920
	<u><b>29,847</b></u>	<u><b>53,920</b></u>

**NOTE 3: RESPONSIBLE ENTITY FEES**

	<b>2019</b>	<b>2018</b>
	\$	\$
Responsible entity fees	81,870	86,530
	<u><b>81,870</b></u>	<u><b>86,530</b></u>

In accordance with the Hotel Management Agreement (HMA) the Responsible Entity is entitled to an amount equal to 2.5% of revenue payable monthly in arrears.

**NOTE 4: OTHER FUND EXPENSES**

	<b>2019</b>	<b>2018</b>
	\$	\$
Accountancy	17,647	17,357
Custody and compliance	30,193	26,644
Filing fees	1,224	1,241
Bank fees	192	194
Legal fees	11,259	-
Administration expenses	9,500	10,637
Depreciation	73,093	93,728
	<u><b>143,108</b></u>	<u><b>149,801</b></u>

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**NOTE 5: OWNERS FF&E CONTRIBUTION**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
FF&E Contribution	62,210	88,342
	<u><b>62,210</b></u>	<u><b>88,342</b></u>

An amount equal to 3% of revenue is transferred to a separate account to be used to replace furniture, fixtures and equipment of a capital nature when required

**NOTE 6: REMUNERATION OF AUDITORS**

The auditor of the Fund for the financial year ending 30 June 2019 was Rami Eltchelebi of ShineWing Australia.

Hayley Underwood of ShineWing Australia was the Compliance Plan auditor.

The fees paid or agreed to be paid by the Fund are disclosed below.

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Remuneration of Auditors:</b>		
Audit services		
Audit of financial report	18,000	16,800
Other regulatory audit services	7,000	6,800
	<u><b>25,000</b></u>	<u><b>23,600</b></u>
Other services		
Taxation services	3,500	4,000
	<u><b>3,500</b></u>	<u><b>4,000</b></u>
	<u><b>28,500</b></u>	<u><b>27,600</b></u>

**NOTE 7: CASH AND CASH EQUIVALENTS**

**Cash at bank**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Cash on deposit is held with ANZ Banking Group		
Heritage Lodge Scheme operating account	435,689	307,713
Yarra Valley Lodge revenue account	616,230	542,892
Yarra Valley Lodge operating account (Scheme share)	165,875	223,081
FF&E reserve	320,434	259,480
	<u><b>1,538,228</b></u>	<u><b>1,333,166</b></u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 8: OTHER ASSETS**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Trade debtors	880	-
Prepayments	25,661	23,598
	<u>26,541</u>	<u>23,598</u>

**NOTE 9: NON-CURRENT ASSETS**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Furniture, fixtures and equipment	473,193	437,159
Less: accumulated depreciation	(286,847)	(213,754)
	<u>186,346</u>	<u>223,405</u>

The Responsible Entity made the decision to bring the assets shared by the room owners into the accounts as at 1 July 2017.

**NOTE 10: TRADE AND OTHER PAYABLES**

	<b>2019</b>	<b>2018</b>
<b>CURRENT</b>	<b>\$</b>	<b>\$</b>
Accounts payable	40,037	38,678
Accrued expenses	185,310	204,288
Deposits held	473,496	415,242
Provision for FF&E	327,838	264,869
Payroll provision	97,654	67,673
Distribution payable	70,135	32,096
	<u>1,194,470</u>	<u>1,022,846</u>

**NOTE 11: POOLED HOTEL FUNDING**

	<b>2019</b>	<b>2018</b>
<b>CURRENT</b>	<b>\$</b>	<b>\$</b>
Management Lot inter entity loan	404,924	333,918
	<u>404,924</u>	<u>333,918</u>

As the Hotel revenue account is held by the Fund's custodian, this amount is the balance owing to the Management Lot owner and has no interest payable or specific repayment date.

**HERITAGE LODGE SCHEME**  
**ARSN: 089 099 249**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 12: RETAINED EARNINGS**

The Responsible Entity made the decision to bring the furniture, fixtures and equipment held by the room owners into the financial statements as at 1 July 2017.

This has been accounted for as a prior period error and retrospective adjustments pertaining to the furniture, fixtures, and equipment have been recognised with an impact on retained earnings of \$301,939 at 1 July 2017.

**NOTE 13: RELATED PARTY TRANSACTIONS**

The Fund's related parties include those described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

**(a) Responsible Entity**

The Responsible Entity of the Heritage Lodge Scheme is Vasco Investment Managers Limited.

Fees of \$81,870 (plus GST) were accrued and paid by the Fund to Vasco Investment Managers Limited for its role as Responsible Entity for the period.

Expenses of \$44,795 (plus GST) were accrued and paid by the Fund to Vasco Investment Managers Limited for out of pocket expenses incurred by the Responsible Entity for the period.

While the Responsible Entity has power over the relevant activities of the Fund pursuant to the management agreement, the Responsible Entity does not have sufficient exposure and rights to variable returns from its involvement with the Fund to meet the criteria necessary for control in AASB 10: Consolidated Financial Statements. Accordingly, the Responsible Entity is not considered to be the parent. However, for the purpose of AASB 124: Related Party Disclosures, the Directors consider that the Responsible Entity is a related party of the Fund as it is the management entity. Accordingly, both the Responsible Entity and its Directors are considered to be key management personnel of the Fund.

**(b) Key management personnel**

The Directors of Vasco Investment Manager Limited, being the Responsible Entity of the Heritage Lodge Scheme, have the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, and are considered Key Management Personnel (KMP) of the Fund.

**(c) Other Related Parties**

Other related parties include close family members of KMP and entities that are controlled or significantly influenced by those KMP or their close family members, individually or collectively.

**(d) Transactions with Related Parties**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

**(e) Remuneration of Key Management Personnel**

The Directors are not remunerated by the Fund.

**HERITAGE LODGE SCHEME  
ARSN: 089 099 249**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 14: CONTINGENT LIABILITIES**

There are no other contingent liabilities at the end of the period.

**NOTE 15: EVENTS SUBSEQUENT TO REPORTING DATE**

As at the date of this report, there have been no other events subsequent to the reporting date that require additional disclosure.

**NOTE 16: FINANCIAL RISK MANAGEMENT**

The Fund's financial instruments consist of deposits with banks, accounts receivable and accounts payable.

The Responsible Entity does not consider that the Fund is exposed to any significant financial risk. The Responsible Entity's overall risk management strategy seeks to assist the Fund in meeting its financial targets, whilst minimising potential adverse effects on financial performance. The risk management policies are approved and reviewed by the Responsible Entity on a regular basis.

**NOTE 17: RESPONSIBLE ENTITY DETAILS**

The registered office and the principal place of business of the Responsible Entity are:

Vasco Investment Managers Limited

Level 5

488 Bourke Street

Melbourne Victoria 3000

**HERITAGE LODGE SCHEME**  
**ARSN: 089 099 249**

**DIRECTORS' DECLARATION**

In the opinion of the Directors of Heritage Lodge Scheme:

- (a) The financial statements and notes of Heritage Lodge Scheme are in accordance with the *Corporations Act 2001*, including
  - (i) Giving a true and fair view of its financial position as at 30 June 2019 and its performance for this financial year ended on that date; and
  - (ii) Complying with Australian Standards and the *Corporations Regulations 2001*; and
- (b) There are reasonable grounds to believe that Heritage Lodge Scheme will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



**Craig Mathew Dunstan**

Director

24 September 2019

**INDEPENDENT AUDITOR'S REPORT  
TO THE DIRECTORS OF VASCO INVESTMENT MANAGERS LIMITED  
AS RESPONSIBLE ENTITY FOR HERITAGE LODGE**

*Opinion*

We have audited the financial report of Heritage Lodge ("the Scheme") which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Scheme is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Scheme's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Responsibilities of the Directors for the Financial Report*

The directors of Vasco Investment Managers Limited, the Responsible Entity of Heritage Lodge, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

We identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.

We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

We conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



**ShineWing Australia**  
Chartered Accountants



Rami Eltchelebi  
Partner

Melbourne, 24 September 2019